

From: Mary Ann Wright
To: Mark Reynolds
Date: 7/5/2007 1:00 PM
Subject: Re: Load-out Expansion

*Outgoing
e/15/00.15*

CC: Jim Smith; Pam Grubaugh-Littig; Pete Hess; Vickie Southwick

Mark - I have been in close contact with Pam over this. We are working on ways to get you going. The certification and C1 form could be completed by you today. That would allow for some basic earth-disturbing activity soon after these two items are filed. However, please provide us email notice (to Pam) as to the nature and extent of this work. Pam will then provide you email approval to begin.

The bond increase of \$362,000 could be handled through a letter of credit, but must be posted prior to construction of any facilities.

I hope this is helpful to you and Co-op. Please contact us as we are available to meet today or tomorrow.

>>> Mark Reynolds <mark.reynolds@cwmining.com> 07/03/2007 3:40 PM >>>
Maryann,

We are writing this to request a favor from the Division. We are asking the Division to give consent for us to begin construction of the Load-out expansion next week before the amendment is approved. In order to meet our deadlines for bringing the long-wall on line by September 1 we need to begin construction next week. We feel this is justified because of the nature of the remaining deficiencies. They are all minor and insignificant. I have attached copy of the deficiencies for you to review as you are reading my summary of them below.

The first deficiency is:

R645-301-521.190, The Permittee must update the C1 to show that no new additional disturbed areas will be added.

This was just a clerical error that is easily fixed, and will not affect the construction, the design plans, or the MRP in anyway.

The second deficiency is:

R645-301-512.250, The Permittee must have all maps and cross sections that show the designs for the road associated with the truck load-out expansion certified by a registered professional engineer. For examples, cross sections TS-5 +400 to TS-5 + 800 were not certified. All maps, drawings and cross sections that need to be certified must have an individual certification.

I am a registered professional engineer and I was the one that drew those cross sections. When the amendment was submitted I thought that it would be adequate to just stamp the front page of the appendix containing the cross-sections. However it will be no problem to stamp and certify all the cross-sections. This is also basically just a clerical error and will not affect the construction, the design plans, or the MRP in anyway. This deficiency also should not prevent you from authorizing us to begin construction.

The third and final deficiency is:

R645-301-830.200, The Permittee must increase the bond to a minimum of \$2,187,000.

As you are aware, since the September 11th attacks, it has been more difficult for coal mines to get bonds. We have been working on increasing our bond since February, however we have been unable to increase it. This is partly because of the fact that we are not only increasing it enough to meet the current requirements, but are trying to increase it enough to cover all future potential facilities, such as the potential facilitates at Mohrland. We are doing this because we feel that it will only get harder for mines to get bonds in the future.

Although the bond increase has been delayed we are ambitiously working on it and hope to finalize it in the near future. We have also been actively reclaiming portions of our mine and are ready to begin the lengthy bond release process. In addition, when preparing the bond release amendment we have reviewed Wayne's bond calculations and although they are quite detailed and complete, we have found some minor errors.

In light of the fact that we anticipate a bond increase in the near future, and that there are minor errors in the Divisions bond calculations, and the fact that we are beginning the bond release process. We feel that the Division would be justified in allowing us to begin construction even though our current bond is only at \$1,825,000. (It should be noted the total direct cost from Wayne's

calculations are \$1,671,547) Below is a summary of bond calculations showing that the current amount is adequate. However, we again stress that we intend to increase our bond and are not contesting any of Wayne's calculation's at this time.

In Wayne's bond calculations when he figures the cost of concrete disposal on site he adds in the cost of a 3 CY front end loader (31 23 16 42 1300), a 12 CY Dump Truck (31 23 23 17 0320) and a Disposal on site cost (02 41 16 17 4200). In the notes of the disposal on site cost it says it includes the cost for crew B-11A. When you go to the crew tables you find that this crew includes 1 Equipment operator, 1 Laborer, and 1 Dozer. Basically what his calculations are saying is that we will demolish the concrete, use a front end loader to put it in a dump truck, we will haul it 10-50 feet, dump it out and then use a dozer to bury it. However, for concrete being disposed at the location it was demolished it should only require 1 piece of equipment instead of three. When you figure out the cost of the machines the bond should actually be \$7,346 less.

Additionally the following structures have been reclaimed or never were built, and the soil that was hauled.

WHR Shop	Never Built	\$3,660
Substation 08	Reclaimed	\$16,668
Coal Storage Bin	Reclaimed	\$9,597
Water Tanks	2 Reclaimed	\$871
Fans	1 Reclaimed 2 Reused	\$1,039
Seal Portals	12 Reclaimed	\$62,400
Hilfiker Retaining Wall	Never Built	\$4,696
Soil Movement TS-10 and 11	Reclaimed	\$33,577
Soil Movement TS-8	Reclaimed	\$1,872
Soil Movement TS-7	Portions Reclaimed	\$1,092

This adds up to a \$142,818 decrease in direct reclamations costs.

Based on this we feel that the Division would be justified in allowing us to begin construction next week.

If you would like to meet with me and Charles concerning this please let us know. We can meet with you anytime this week or next week.

Sincerely,

Mark Reynolds
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